

# **2008 Gulf of Mexico Red Snapper Individual Fishing Quota Annual Report**



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## **A Message from the Assistant Regional Administrator**

The 2008 Gulf of Mexico Red Snapper Annual Report reflects the completion of the second Individual Fishing Quota (IFQ) season in the Gulf of Mexico. The 2008 report builds upon the data and information presented in last year's report. Data for 2007 have been included to facilitate comparison with 2008 data. Results are summarized in the context of management objectives outlined for the red snapper IFQ program in Amendment 26 to the Gulf of Mexico Fishery Management Council's (Gulf Council) Fishery Management Plan for the Reef Fish Resources of the Gulf of Mexico (Reef Fish FMP). In some instances, data for 2007 have been updated to incorporate more complete information.

During the second year of the program red snapper ex-vessel prices continued to increase, additional consolidation of shares occurred, and bycatch was substantially lower than pre-13" total length (TL) minimum size limit levels. Overall, numerous improvements over the historical derby-style fishing conditions experienced under pre-IFQ management occurred. However, as with any new management program, some problems and issues are limiting certain program objectives from being fully realized and evaluated, including higher rates of red snapper discards along the west Florida shelf, misreporting and mislabeling of landings, and unreported allocation and share price information submitted via the online IFQ system.

The report discusses the successes and problems of the program, as well as changes to the program fishermen and constituents can expect during the coming year. Several changes to the red snapper IFQ program will be implemented on or before January 1, 2010. These changes are intended to enhance program enforcement and simplify administrative oversight of the program in conjunction with development and implementation of the proposed Grouper-Tilefish IFQ program.

National Marine Fisheries Service (NMFS) is committed to the continual improvement of red snapper IFQ management. We are now half-way to the five-year comprehensive review of the red snapper IFQ program by the Gulf Council. We've received great feedback and suggestions on how to improve the IFQ during the first two years of the program. I'd like to thank you for your input and I encourage you to continue to share your concerns with us.

Sincerely,

A handwritten signature in cursive script that reads "Phil Steele".

Phil Steele  
Assistant Regional Administrator  
for Sustainable Fisheries

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# **Red Snapper IFQ Program**

## **History and Objectives**

Development of the red snapper IFQ program began in early 2004 after a majority of eligible voters (based on a weighted majority vote of red snapper Class 1 license holders) supported, through referendum, development of an IFQ program. During 2004 and 2005, the Gulf Council, in collaboration with the Red Snapper Advisory Panel, developed Amendment 26 to the Reef Fish FMP. This amendment outlined the key components of the red snapper IFQ program. In 2006, a second referendum was conducted to determine if a majority of eligible voters supported submission of Amendment 26 for approval by the Secretary of Commerce (Secretary). A majority of eligible voters, based on a weighted majority vote, approved the amendment. The amendment was later approved by the Gulf Council in March 2006 and implemented by NMFS on January 1, 2007.

Prior to implementation of the IFQ program the commercial red snapper fishery was overcapitalized, resulting in derby-style fishing conditions as fishermen raced to catch a share of the quota. Limited access fishing permits, trip limits, closed seasons, and a quota were the primary management tools used to constrain commercial harvest and effort prior to the IFQ program. However, these management tools resulted in short fishing seasons, quota overages, unsafe fishing conditions, market gluts affecting ex-vessel prices, and high bycatch and discard mortality rates. The IFQ program was implemented to address these and other problems.

Primary objectives of the program are to reduce overcapacity and mitigate derby fishing conditions. Anticipated benefits of the program include: increased market stability; elimination of fishing seasons; increased flexibility for fishing operations; cost-effective and enforceable management of the fishery; improved safety at sea; and, optimization of net social, economic, and biological benefits from the fishery. Additionally, the program is intended to provide direct and indirect biological benefits to red snapper and other marine resources by reducing bycatch and bycatch mortality and eliminating quota overages. These social, economic, and biological benefits collectively are intended to assist NMFS and the Gulf Council in ending overfishing and rebuilding the Gulf of Mexico red snapper population.

## **Program Overview and Regulations**

Regulations governing the red snapper IFQ program can be found at 50 CFR 622.16 ([http://edocket.access.gpo.gov/cfr\\_2008/octqtr/pdf/50cfr622.16.pdf](http://edocket.access.gpo.gov/cfr_2008/octqtr/pdf/50cfr622.16.pdf)). The red snapper IFQ program is managed with an online accounting system that can be accessed at <https://ifq.sero.nmfs.noaa.gov/>. On the homepage of this Web site, IFQ fishermen and dealers can log-in to their online IFQ accounts. Additionally, important information regarding the IFQ program such as Frequently Asked Questions, a User Manual, and Fishery Bulletins regarding the IFQ program are available to be downloaded. These provide potential and active IFQ participants with updated information regarding program components and regulations.

# Red Snapper IFQ Fishing Season

## Commercial Quota

The 2007 quota was 3,315,000 pounds whole weight (2,986,712 pounds gutted weight). In 2008, the quota was reduced by 23% to 2,550,000 pounds whole weight (2,297,466 pounds gutted weight). Throughout this report landings are expressed in terms of pounds gutted weight.

## Shareholders

Initial shares were issued to program participants based on the amount of red snapper landings reported under each participant's qualifying license during a specific time period. For Class 1 license holders, IFQ shares were based on the best ten consecutive years from 1990-2004. For Class 1 historical captain license holders, IFQ shares were based on seven years of landings from 1998-2004. For Class 2 license holders, IFQ shares were based on the best five years of landings from 1998-2004.

A total of 546 individuals qualified for initial shares (Table 1). Initial quota share values issued to a single entity ranged from a maximum of 6.0203% to 0.0001%. Although 546 individuals received initial shares, 621 IFQ accounts were established because individuals holding more than one red snapper license were issued multiple IFQ accounts. Seventy-nine individuals who did not hold a commercial Gulf reef fish permit were issued initial shares.

At the end of 2007, 489 individuals held IFQ shares, representing a 10.4% reduction in shareholders during the first year of the program (Table 1). In 2008, additional consolidation occurred; a total of 466 individuals held shares at the end of the 2008 fishing year (Table 1). The number of individuals holding IFQ shares has been reduced by 14.6% since the onset of the IFQ program. The greatest reductions in shareholders have occurred for individuals initially issued 0.0050%-0.0099% and 0.01%-0.0999% of the quota, whereas a 50% increase in the number of shareholders possessing greater than 2.0% of the quota has occurred since January 1, 2007.

Table 1: Initial and End of Year Share Percentages

Share Percentage	Number of Shareholders as of:		
	Jan. 1, 2007	Dec. 31, 2007	Dec. 31, 2008
0.0001% - 0.0049%	159	150	146
0.0050% - 0.0099%	91	76	68
0.0100% - 0.0999%	184	158	147
0.1000% - 1.9999%	104	94	93
2.0000% - 2.9999%	3	5	6
3.0000% - 6.0203%	5	6	6
<b>Total</b>	546	489	466

## Shareholdings by Gulf State

At the start of the IFQ program, Florida and Texas accounted for 44.0% and 32.9% of the total IFQ shares, followed by Louisiana (11.6%), Alabama/Mississippi (9.6%), and other non-Gulf states (1.8%) (Table 2). By the end of 2007, the percent of shares accounted for by Texas shareholders had increased, while decreases were observed in Florida and Louisiana (Table 2). No or minor changes in the percentage of shareholdings for Alabama/Mississippi and non-Gulf state shareholders occurred during the first year of the program. In 2008, very little change in the percentage of shareholdings occurred for any state. A 0.1% increase or decrease in shareholdings occurred in Alabama/Mississippi, Louisiana, and Texas, while no changes in the percentage of shares occurred for Florida or non-Gulf states. Overall, since January 1, 2007, there has been a 1.8% shift in shares held by western Gulf (Louisiana-Texas) versus eastern Gulf fishermen (Florida-Mississippi).

Table 2: Initial and End of the Year Shareholding by State of Residency

Shareholder's State of Residence	Percentage of Shares as of:		
	Jan. 1, 2007*	Dec. 31, 2007*	Dec. 31, 2008
Alabama/Mississippi	9.6%	9.6%	9.5%
Florida	44.0%	42.3%	42.3%
Louisiana	11.6%	10.7%	10.6%
Texas	32.9%	35.7%	35.8%
Other States	1.8%	1.8%	1.8%

\* The percentage of shares by state differs from the 2007 IFQ red snapper report because shareholder mailing addresses, rather than physical addresses, were used for state of residence.

## Share Transfers

During 2007, 19.9% of overall shares were transferred during 140 share transactions (Table 3). Most of those transfers were between two different entities. In 2008, 5.8% of the overall shares were transferred during 44 share transactions (Table 3). Nearly all of the share transfers in 2008 were among different entities, while 32 share transactions in 2007 involved entities possessing multiple IFQ accounts. The average price paid per share increased by 21% between 2007 and 2008, from \$18.75 to \$22.70, while median prices increased by more than 37%. The number of entities reporting a price paid for shares also improved from 43% in 2007 to 68% in 2008. Given the large number of transactions without price data, results should be viewed with caution. Additional input from industry is needed to validate the accuracy of this price data.

Table 3: Share Transfer Transactions

	2007	2008
Total number of share transfers	140	44
Total shares transferred	19.878%	5.774%
Total number of share transfers between two different entities	108	42
Total shares transferred between two different entities	10.743%	4.815%
Total number of share transfers involving same entity	32	2
Total shares transferred involving same entity	9.135%	0.959%
Percent of individuals entering a price paid for shares	43%	68%
Average amount of shares transferred between entities	0.1420%	0.1312%
Median amount of shares transferred between different entities	0.0126%	0.0189%
Minimum amount of shares transferred between different entities	0.0001%	0.0003%
Maximum amount of shares transferred between different entities	1.7452%	0.9989%
Average price paid per 0.0001% share*	\$18.75	\$22.70
Median price paid per 0.0001% share*	\$20.06	\$27.54
Minimum price paid per 0.0001% share	\$0.01	\$0.01
Maximum price paid per 0.0001% share*	\$50.00	\$43.09

\* Price data has not been adjusted for inflation and excludes transactions not reporting price data. Average and maximum prices paid per 0.0001% share do not include one share transfer in 2007 (\$247) and one share transfer in 2008 (\$2,756), as these share prices were unexpectedly high.

## Allocation Transfers

Annual IFQ allocation is the actual poundage of red snapper each IFQ shareholder or IFQ allocation holder can use to possess, land, or sell red snapper during a given calendar year. In 2007, a total of 2,258,497 pounds of allocation was transferred during 942 transactions. In 2008, 1,560,192 pounds of allocation was transferred during 777 transactions (Table 4). Most allocation transferred during both years was between two different entities; however, 584,485 pounds of allocation transferred in 2007 and 202,209 pounds of allocation transferred in 2008 involved entities possessing multiple IFQ accounts. Less allocation was transferred in 2008, in part, due to a reduction in the quota by 23%. The average amount of allocation traded in pounds during 2007 was 2,398 pounds, compared to 2,008 pounds on average traded in 2008. Few entities (~25%) entered price data for allocation trades during either year. The average price of allocation increased from \$1.88 in 2007 to \$2.45 in 2008, representing a 30% increase in price paid per pound.

Table 4: Allocation Transfer Transactions

	<b>2007</b>	<b>2008</b>
Total pounds of allocation traded*	2,258,497	1,560,192
Total pounds of allocation traded between different entities*	1,674,012	1,357,983
Total pounds of allocation traded between same entity*	584,485	202,209
Average allocation amount traded in pounds	2,398	2,008
Median allocation amount traded in pounds	780	600
Minimum allocation amount traded in pounds	2	1
Maximum allocation amount traded in pounds	53,541	50,000
Number of allocation transfers	942	777
Number of entities who sold all their allocation	139	119
Percentage of entities entering a price greater than \$0	25%	24%
Average price per allocation pound**	\$1.88	\$2.45
Median price per allocation pound**	\$2.00	\$2.25
Minimum price per allocation pound**	\$0.01	\$0.02
Maximum price per allocation pound**	\$10.00	\$20.81

\* In calculating the total pounds of allocation traded, multiple transactions of a single allocation were not tracked separately.

\*\* Prices have not been adjusted for inflation. Most prices were reported on a per pound basis. However, some transactions reported the total value paid for all allocation bought. Average, median, and minimum prices were calculated using submitted price data if it was less than \$5.00 per pound. If price data were greater than \$5.00 per pound, average price per pound was calculated by dividing the total price submitted by the amount of allocation sold. The maximum price per allocation pound reported in 2007 was \$36.65. This value was unexpectedly high and therefore, not included in the calculation of the average and median prices. If this value was included, the average price per allocation pound would have been \$2.03.



## End of Year Allocation Balances

In 2007, 122,326 pounds of allocation (4.0% of quota) in 334 accounts remained unused. In 2008, 62,050 pounds of allocation (2.6% of quota) in 329 accounts remained unused (Table 5). Most of the unused allocation in both years was from accounts that were inactive. Seventy of the ninety inactive accounts had less than 200 pounds of allocation, while two other accounts remained inactive because of sanctions (Table 6). The average and median number of pounds of allocation remaining in accounts in 2008 were 189 pounds and 30 pounds, respectively (Table 5). A total of 22 active and 11 inactive accounts had allocation balances of greater than 500 pounds remaining in 2007 (Table 6). In 2008, only 10 active and 8 inactive accounts had balances greater than 500 pounds remaining at the end of the year (Table 6).

Table 5: End of the Year Allocation Balances

	2007	2008
Total allocation (in pounds) remaining at end of year*	122,326	62,050
Total sanctioned allocation (in pounds) remaining at end of year	29,187	22,451
Number of accounts with allocation balances	334	329
Number of active accounts with allocation balances (amount of balance for all accounts combined)	244 (75,369 lbs.)	239 (25,935 lbs.)
Number of inactive accounts with allocation balance (amount of balance for all accounts combined)*	90 (46,957 lbs.)	90 (36,115 lbs.)
Average pounds remaining in active and inactive accounts	366	189
Median pounds remaining in active and inactive accounts	71	30

\* Includes sanctioned allocation.

Table 6: Allocation Balances

Allocation Balance (Pounds)	Active		Inactive	
	Number of Entities		Number of Entities	
	2007	2008	2007	2008
1-20	62	111	24	28
21-50	39	31	21	20
51-100	40	29	9	11
101-200	46	32	10	11
201-500	34	25	16	13
501-1,000	10	8	5	3
1,001-5,000	11	3	4	3
5,000-above	2	0	1	1
Total	244	239	90	90

## Cost Recovery Fees

The Magnuson-Stevens Fishery Conservation and Management Act requires the Secretary to adopt regulations implementing a cost recovery program to recover the actual cost of managing and enforcing the IFQ program. The cost recovery fee established for the red snapper IFQ program is currently three percent of the actual ex-vessel value of Gulf red snapper. IFQ allocation holders who complete a landing transaction with a dealer are responsible for payment of the fee. The dealer who receives the red snapper is responsible for collecting and submitting the fee on a quarterly basis. Monies collected are primarily used for administration of the program, maintenance and upkeep of the online system and software, and enforcement of the red snapper IFQ program.

In 2007, the ex-vessel value of the red snapper fishery was \$10.1 million dollars (Table 7). In 2008, the ex-vessel value of the fishery decreased to \$8.3 million dollars due to a lower quota (3.315 mp in 2007 vs. 2.55 mp in 2008). Fees collected in 2007 and 2008 totaled \$303,816 and \$247,815, respectively (Table 7). Collected fees and ex-vessel values were fairly constant across quarters during 2007. In 2008, higher landings occurred in the first quarter, resulting in higher ex-vessel value and fees collected during this quarter when compared to other quarters during the fishing year.

Table 7: IFQ Cost Recovery Program

Quarter	Ex-Vessel Value		Cost Recovery Fee	
	2007	2008	2007	2008
1st	\$2,568,662	\$3,065,479	\$76,997	\$91,965
2nd	2,577,170	1,992,836	77,310	59,785
3rd	2,208,242	1,427,266	66,248	42,818
4th	2,773,102	1,777,148	83,261	53,315
Total	\$10,127,176	\$8,262,729	\$303,816	\$247,883

## Red Snapper Fishing Activity and Landings

In 2007, 309 vessels reported red snapper landings to the online IFQ system. A majority of those vessels reported landings in Florida. In 2007, an average of 1,075 pounds of red snapper was landed per trip during 2,667 trips (Table 8). In 2008, 300 vessels reported landing red snapper to the online IFQ system. These vessels landed an average of 937 pounds of red snapper per trip during 2,388 trips in 2008 (Table 8). Average landings per trip were highest off Louisiana and Texas during both years. Vessels landing red snapper spent 16% less days away from port during 2008 than during 2007.

Table 8: Fishing Effort and Average Landings

State	Vessels*		Trips		Days Away**		Avg. Landings/Trip	
	2007	2008	2007	2008	2007	2008	2007	2008
FL	219	216	1,623	1,501	6,405	5,901	692	614
AL/MS	16	24	284	319	613	523	444	373
LA	25	24	304	254	1,955	1,393	1,471	1,500
TX	49	36	456	314	2,256	1,640	2,570	2,597
Total	309	300	2,667	2,388	11,229	9,457	1,075	937

\* Based on where a vessel reported a majority of its landings; 24 vessels reported landing in multiple states during 2007 and 16 reported landing in multiple states during 2008.

\*\* Days away based on coastal logbook records as of July 8, 2009.

In 2007, 2,867,326 pounds of red snapper was reported to the online IFQ system (Table 9). These landings accounted for 96.0% of the commercial quota. In 2008, 2,237,480 pounds of red snapper was reported to the online IFQ system, accounting for 97.4% of the commercial quota. Most landings were from Florida and Texas in both years (Table 9). Florida landings accounted for 39% of the commercial landings in 2007 and 41% of the commercial landings in 2008. Texas accounted for 41% of the commercial landings in 2007 and 36% of the commercial landings in 2008.

Alabama/Mississippi and Louisiana accounted for 20% and 22% of the commercial landings in 2007 and 2008, respectively. Gulf-wide landings in both years were highest during winter and fall; however, a greater percentage of the quota was landed during January-March 2008, than during the same time period a year earlier (Figures 1 and 2). Comparison of landings reported to the online IFQ system with other landing records indicated IFQ reported landings may underestimate total landings because of underreporting and non-reporting of red snapper to the IFQ online system (see Law Enforcement Activities).

Table 9: Reported Landings by State and Gulf-Wide

	2007						2008					
	AL/MS	FL	LA	TX	Gulf-Wide Landings*	Gulf-Wide % of Quota Expended	AL/MS	FL	LA	TX	Gulf-Wide Landings*	Gulf-Wide % of Quota Expended
January	1,511	38,901	12,598	50,299	103,309	3.5	4,934	115,480	49,738	71,753	241,905	10.5
February	11,990	112,703	50,211	155,721	330,625	11.1	22,602	121,002	70,202	104,065	317,871	13.8
March	9,645	99,557	54,425	114,394	278,021	9.3	16,146	116,271	91,147	66,772	290,336	12.6
April	13,856	118,547	33,371	115,777	281,551	9.4	12,958	99,630	22,350	69,763	204,701	8.9
May	5,354	115,969	26,404	34,071	181,798	6.1	10,041	82,916	20,297	72,059	185,313	8.1
June	12,648	116,147	22,998	81,583	233,376	7.8	6,856	69,240	10,319	48,033	134,448	5.9
July	7,361	88,812	30,719	98,644	225,536	7.6	4,968	69,719	17,741	59,706	152,134	6.6
August	7,050	83,880	20,718	86,493	198,141	6.6	2,505	56,521	9,024	66,980	135,030	5.9
September	12,690	82,663	19,426	104,505	219,284	7.3	8,265	41,502	4,351	37,169	91,287	4.0
October	8,639	51,941	28,124	98,667	187,371	6.3	8,515	48,303	16,372	62,171	135,361	5.9
November	14,876	94,763	72,726	113,865	296,230	9.9	8,928	39,682	15,638	56,549	120,797	5.3
December	20,401	118,496	75,335	117,852	332,084	11.1	12,384	61,661	53,896	100,356	228,297	9.9
Annual Total	126,021	1,122,379	447,055	1,171,871	2,867,326	96.0%	119,102	921,927	381,075	815,376	2,237,480	97.4%

\* Annual total amounts include 10% overage allocation

Figure 1: 2008 Landings by Month and State

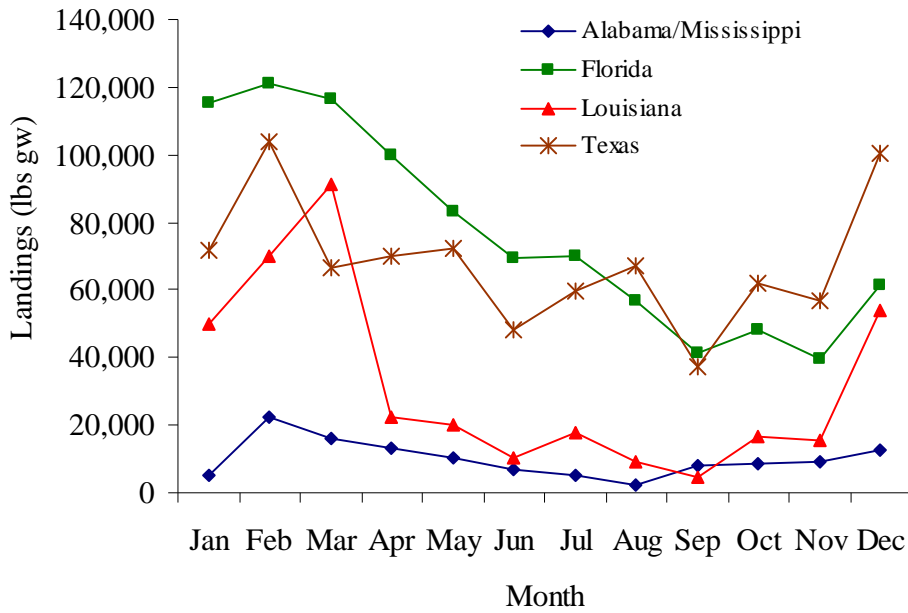
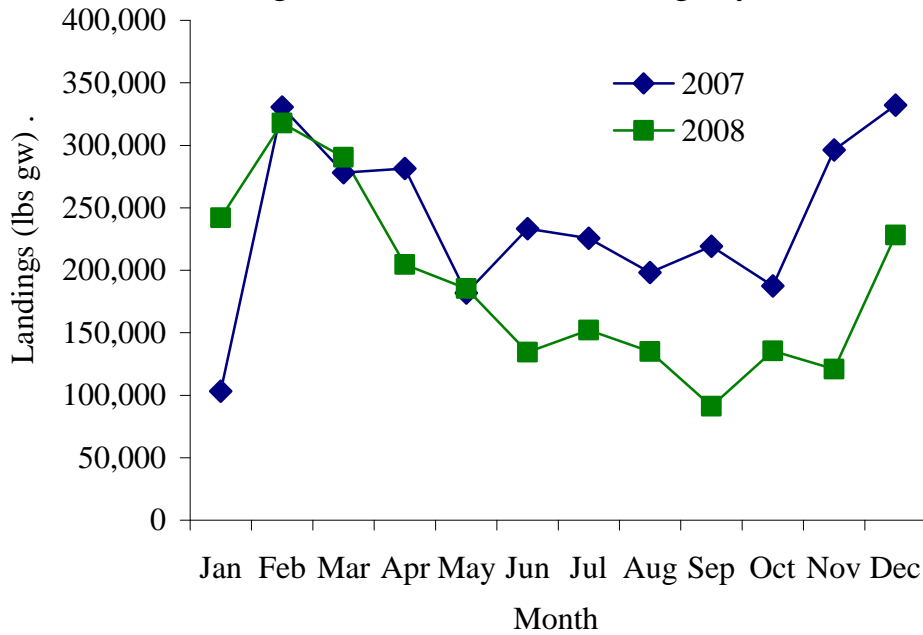
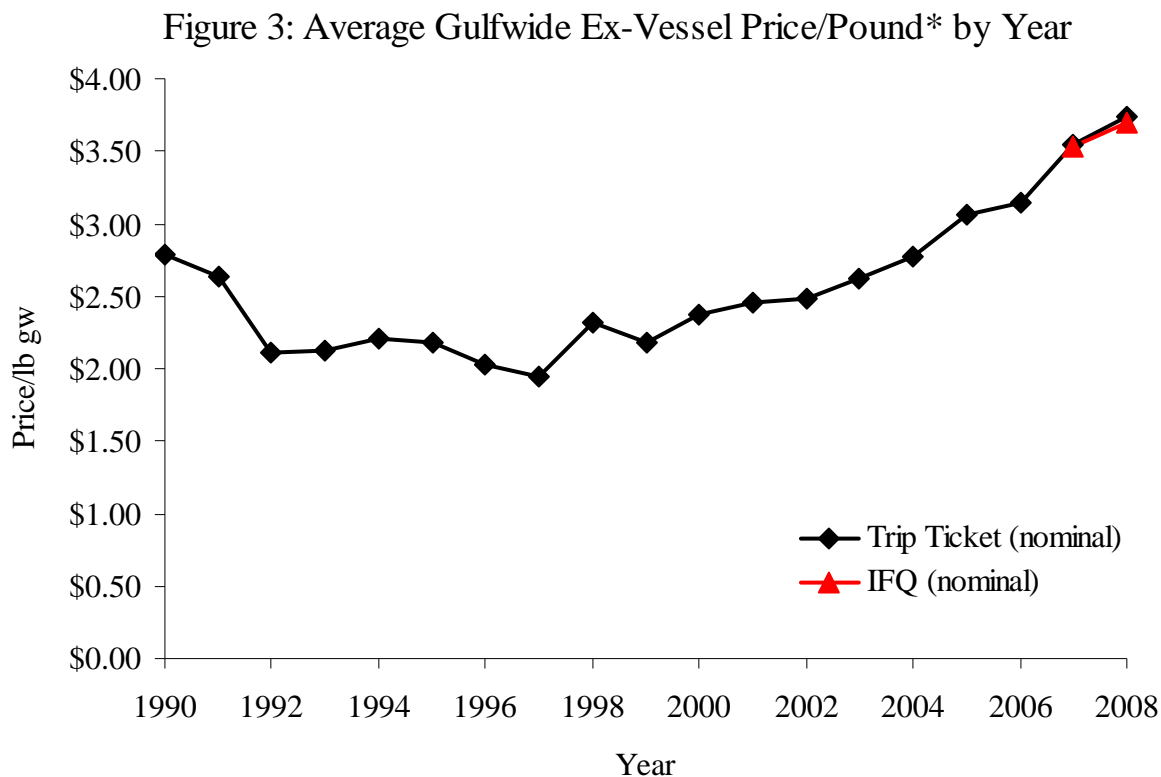


Figure 2: Gulf-Wide Landings by Month



## Red Snapper Ex-Vessel Prices

The nominal ex-vessel price for red snapper declined from 1990 through 1992 as the derby fishery began. Ex-vessel prices then remained fairly stable from 1993-1999 averaging \$2.14 per pound (Figure 3). From 1999-2005, the average ex-vessel price of red snapper gradually increased (5.4% annually) from \$2.19 to \$3.15 per pound (Figure 3). In 2007, the average ex-vessel price per pound increased 0.39 cents, representing a 12% increase in average price during the first year of the IFQ (Figure 3). The average ex-vessel price per pound continued to increase in 2008, averaging \$3.69 per pound. Since 2006, the average ex-vessel price per pound has increased by 17%. When adjusted for inflation, the average ex-vessel price per pound has increased by 10% since 2006. Average ex-vessel prices for 2007 and 2008 were lower than expected, in part due to the many transactions reporting ex-vessel prices of \$2.50 or less per pound (Table 10).



\* Average prices for 1990-2008 from SEFSC Accumulated Landings System; average prices for 2007-2008 from IFQ online system.

In 2007, 977 red snapper landings transactions (37%) reported receiving greater than \$4.00 per pound (Table 10). By 2008, the number of transactions reporting \$4.00 or more per pound had increased to 1,523 (64%). The number of transactions reporting ex-vessel prices less than \$2.50 per pound increased substantially from 2007 to 2008 (Table 10). Eighty-seven transactions (3%) reported ex-vessel prices of less than \$2.50 per pound in 2007 versus 308 transactions (13%) in 2008.

Table 10: Number of Landing Transactions and Pounds by Ex-Vessel Price Paid

<b>Ex-Vessel Price Paid per Pound</b>	<b>2007</b>		<b>2008</b>	
	<b>Number of Transactions</b>	<b>Number of Pounds</b>	<b>Number of Transactions</b>	<b>Number of Pounds</b>
\$0.01 - 1.99	22	71,368	20	34,598
\$2.00 - 2.49	65	161,748	288	341,898
\$2.50 - 2.99	142	189,704	58	41,509
\$3.00 - 3.49	410	306,460	226	215,870
\$3.50 - 3.99	1,051	1,216,879	273	150,043
\$4.00 - 4.49	951	913,349	1,159	1,051,777
\$4.50+	26	7,818	364	401,785
<b>Total</b>	<b>2,667</b>	<b>2,867,326</b>	<b>2,388</b>	<b>2,237,480</b>

Average prices per pound varied considerably by state during 2007 and 2008 (Table 11, Figure 4). Florida and Louisiana prices were at or above Gulf-wide average prices while Alabama/Mississippi and Texas had below average prices. Prices tended to be lower in areas where dealers sell red snapper to local in-state markets (e.g., Houston) rather than markets out of state (e.g., New York City). The minimum price reported in both years was \$1.00 per pound, while the maximum price reported was \$5.00 in 2007 and \$5.25 in 2008. Prices remained fairly stable throughout the 2008 fishing season, but generally declined during the 2007 fishing season (Table 11, Figure 5).

Table 11: Price Paid per Pound Landed by State and Month

Month	2007							2008						
	States				Gulf Wide			States				Gulf Wide		
	AL/MS	FL	LA	TX	Average	Highest	Lowest	AL/MS	FL	LA	TX	Average	Highest	Lowest
January	3.52	3.86	3.20	3.52	3.61	4.51	2.00	3.39	3.90	3.96	2.94	3.62	4.50	2.00
February	3.41	3.90	3.58	3.42	3.61	4.50	2.15	3.47	3.85	3.53	3.45	3.62	4.75	1.75
March	3.37	3.89	3.46	3.52	3.63	4.55	2.50	3.67	3.97	3.39	3.16	3.58	5.25	1.00
April	3.38	3.95	3.96	3.57	3.77	4.50	2.00	3.58	4.00	4.34	3.59	3.87	5.25	2.00
May	3.36	3.84	3.49	3.29	3.67	4.50	1.00	3.59	3.89	4.18	3.26	3.66	5.00	1.75
June	3.30	3.77	3.88	3.43	3.64	4.75	2.00	3.91	4.06	4.31	3.58	3.90	4.75	1.50
July	3.29	3.73	3.84	3.06	3.44	5.00	1.75	3.80	3.76	4.42	3.43	3.71	5.25	1.30
August	3.36	3.85	3.98	2.75	3.37	4.50	2.00	3.65	4.09	4.56	3.56	3.85	5.25	2.00
September	3.25	3.73	3.26	3.37	3.49	4.50	2.00	3.87	3.95	4.20	3.30	3.69	5.00	1.50
October	3.21	3.83	3.25	3.11	3.34	4.50	1.75	3.85	4.09	4.31	3.26	3.72	5.20	2.00
November	3.35	3.77	3.48	3.15	3.44	4.50	1.70	3.66	4.22	3.88	3.30	3.70	5.00	1.75
December	3.31	3.50	3.60	3.20	3.40	4.43	1.75	3.44	4.06	3.89	3.22	3.62	5.50	1.00
Annual Average	3.33	3.80	3.58	3.29	3.54	n/a	n/a	3.63	3.96	3.83	3.33	3.69	n/a	n/a



Figure 4: Annual Average Price per Pound by State

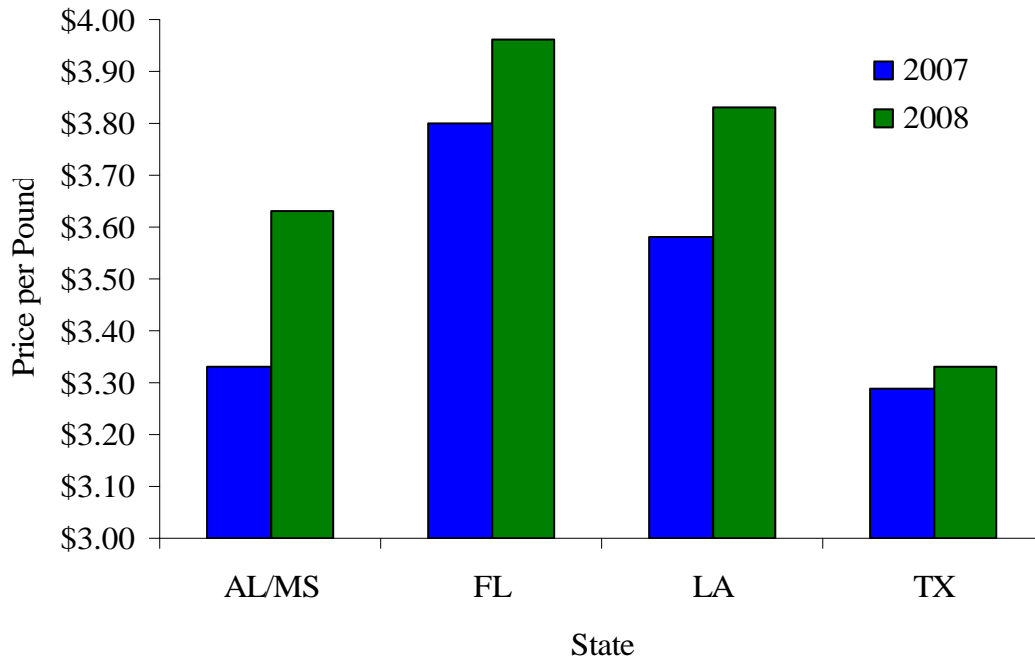
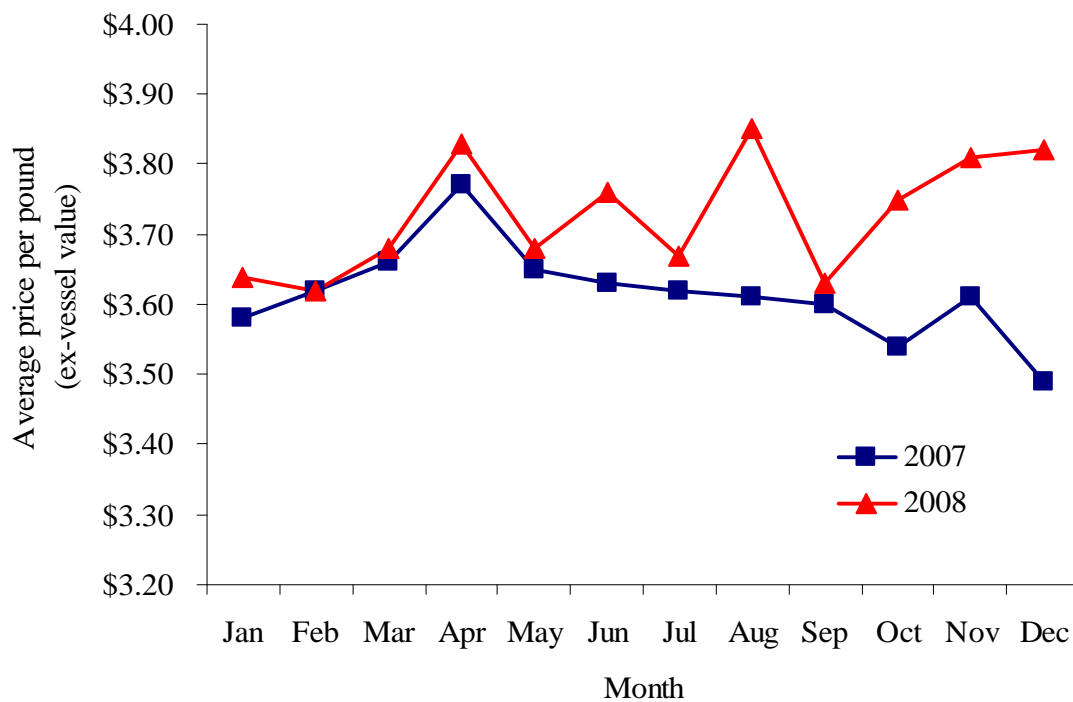


Figure 5: Average Price per Pound by Month for 2007 and 2008



## Red Snapper Bycatch

Southeast Fisheries Science Center reef fish observer data were used to evaluate changes in red snapper bycatch associated with the IFQ program and 13" TL minimum size limit (Table 12). The minimum size limit for red snapper was reduced from 15" to 13" TL on May 2, 2007. Since July 2006, observers have been on 121 reef fish trips that reported landing and/or discarding red snapper. Prior to implementation of the 13" size limit, 1.13 red snapper were landed for every red snapper that was discarded. Since implementation of the 13" size limit, coupled with adoption of the IFQ program, the ratio of landings to discards has increased to greater than 3-4 fish landed per discard. Changes in bycatch are greatest in the western Gulf of Mexico and Florida panhandle. Along the west coast of Florida more red snapper are being discarded than landed. Of the 55 observer trips landing/discarding red snapper in 2008, 30 occurred along the Florida peninsula. These trips accounted for 4.8% of the total observed red snapper landings and 30.6% of the total observed red snapper discards. Overall, the proportion of fish caught and landed Gulf-wide has increased from 52.7% prior to implementation of the 13" size limit, to 74.6-79.3% after implementation of the 13" size limit.

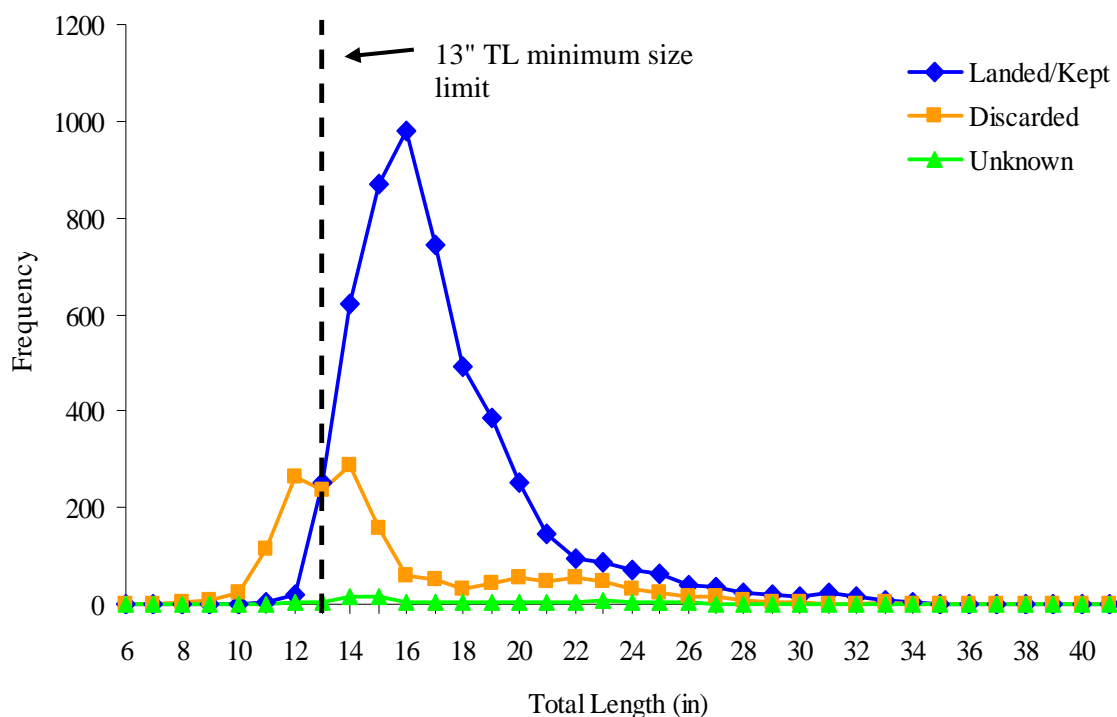
Table 12: Red snapper bycatch statistics from the reef fish observer program, July 2006 - December 2008

	Jul 2006 - May 1, 2007	May 2 - Dec 31, 2007	Jan 1 - Dec 31, 2008
H&L/bandit trips observed w/ red snapper	29	27	44
Longline trips observed w/ red snapper	7	3	11
Trips observed with red snapper - FL peninsula*	20	13	30
Trips observed with red snapper - FL panhandle-MS*	9	11	8
Trips observed with red snapper - LA-TX*	9	7	17
Total red snapper observed - all gears	5864	3200	7064
Total red snapper observed - H&L/bandit	5706 (97.3%)	3186 (99.6%)	6758 (95.7%)
Total red snapper observed - longline	158 (2.7%)	14 (0.4%)	306 (4.3%)
Number of red snapper landed/kept	3093 (52.7%)	2539 (79.3%)	5269 (74.6%)
Number of red snapper discarded alive	2069 (35.3%)	394 (12.3%)	992 (14.0%)
Number of red snapper discarded dead	679 (11.6%)	236 (7.3%)	725 (10.3%)
Number of red snapper with unknown disposition	23 (0.4%)	31 (1.0%)	78 (1.1%)
Gulf-wide landing to discard ratio - all gears	1.13	4.03	3.07
Gulf-wide landing to discard ratio - H&L/bandit	1.16	6.56	3.21
Landing to discard ratio - FL peninsula	1.22	0.08	0.49
Landing to discard ratio - FL panhandle-MS	1.55	8.14	4.43
Landing to discard ratio - LA-TX	1.08	3.08	4.17

\* Three trips reported landings from multiple areas; FL peninsula = areas 1-8, FL panhandle-MS = areas 9-12, LA-TX = areas 13-21.

Slightly more than half (51%) of the observed red snapper landings in 2008 were between 13” and 16” TL (Figure 6). Eighty-eight percent of the observed red snapper landings were less than or equal to 20” TL. Forty-one percent of the observed red snapper discards were less than or equal to 13” TL and 72% were less than or equal to 16” TL. Fifty-nine percent of observed discards were greater than the legal minimum size limit indicating that fishermen lacked IFQ allocation to land these fish.

Figure 6: Size Frequency Distribution of Red Snapper Discards Observed on Reef Fish Trips during 2008 (Source: SEFSC Observer Program)



## Law Enforcement Activities

Along with science and management, law enforcement is a crucial component of the IFQ program. The NOAA/NMFS Office of Law Enforcement - Southeast Division, the U.S. Coast Guard, and state wildlife officers and game wardens enforce the regulations governing fishing activities under the IFQ throughout the Gulf of Mexico. State wildlife officers and game wardens enforce the IFQ program, under the authority of the Cooperative Enforcement Agreement, by patrolling the waterfront, arranging to meet vessels at the landing locations, and monitoring offloads. NOAA/NMFS Special Agents conduct random monitoring of vessels, assist state wildlife officers and game wardens with violations requiring further investigation, and conduct independent investigations, especially in complex cases involving the suspected trafficking or illegal harvest of red snapper placed in interstate commerce. The U.S. Coast Guard conducts offshore patrols to ensure vessels harvesting red snapper are eligible participants.

Major violations since implementation of the IFQ program include mislabeling of species and under-reporting of landing weights. Typical violations include landing prior to the three-hour minimum landing notice, landing at a location other than the location given in the landing notification, and transporting red snapper without an approval code. In 2007 and 2008, there were 20 and 17 IFQ-related enforcement cases, respectively. These cases resulted in seven seizures of red snapper in 2007 totaling 7,678 pounds and six seizures of red snapper in 2008 totaling 1,622 pounds (Table 13). There were also 2,872 landings notifications made in 2008 using VMS, the IFQ online system, or phone. Of these, 305 (10.6%) had no corresponding landing transaction and 103 landing transactions (3.6%) had no corresponding landing notification (Table 14).

Table 13: Enforcement IFQ Statistics

	2007	2008
Number of IFQ cases	20	17
Number of IFQ related seizures	7	6
Total pounds of red snapper seized	7,678	1,622
Seizure Value	\$33,270	\$6,525

Table 14: Landing Notifications and Transactions

	2008
Number of landing notifications without corresponding landing transactions	305
Number of landing transactions without corresponding landing notifications	103

# **Red Snapper IFQ Program Evaluation and Changes**

## **Program Successes**

Two years after initial implementation of the Red Snapper IFQ program, progress has been made toward achieving program's objectives. As discussed in the 'History and Objectives' section, objectives of the program include mitigating derby fishing conditions and reducing overcapacity. Expected benefits of the program are numerous and include increasing flexibility for fishing operations; providing cost-effective and enforceable management of the fishery; reducing bycatch; eliminating quota overages; improving safety at sea; and, optimizing net social, economic, and biological benefits from the fishery. This annual report evaluates many of these objectives and program benefits; however, additional surveys independent of the online data collection system will be necessary to fully assess the success of the program.

Since 2006, average ex-vessel value of red snapper has increased 10% when adjusted for inflation and 17% when not adjusted for inflation (Figure 3). This increase in ex-vessel price has benefited fishermen and dealers at a time when quotas were being reduced to rebuild red snapper. During this same time period, the number of fishermen possessing IFQ shares has decreased from 546 to 466 over the first two years of the program, representing a 14.6% consolidation in shareholders (Table 1). Consolidation has occurred at a faster rate for shareholders possessing smaller rather than larger amounts of shares (Table 1), indicating that some fishermen remaining in the fishery are accruing more shares to best maximize net economic benefits. Despite the consolidation in shareholders, there has only been a small reduction in the number of vessels operating in the fishery (Table 8). However the number of days these vessels spent away from port decreased by 16% from 2007 to 2008.

Fishermen have benefited through increased flexibility as to when and where they fish, as well as how much they catch. In the 15 years leading up to the IFQ program, the commercial red snapper fishery was open for an average of 88 days. During this time, fishermen were limited to either 200-pound or 2,000-pound trip limits and 10-day fishery openings each month. Today, fishermen are not constrained by trip limits or fishery closures. Only a fisherman's skill and allocation limit the amount of red snapper harvested during the fishing year. As a result, the IFQ program has led to greater efficiency for many red snapper IFQ program participants.

Biological benefits resulting from the IFQ program have also assisted in the rebuilding of red snapper as the Gulf Council and NMFS work toward ending overfishing. During 17 years of quota management prior to the IFQ, the commercial quota was exceeded nine times. In the first two years of the IFQ program, reported landings have been below quotas. Better compliance with the quotas is directly benefiting the red snapper population by reducing fishing mortality on the population.

A three to four-fold increase in the ratio of landed to discarded fish has been observed since implementation of the 13" minimum size limit. Although the IFQ program is not directly responsible for large reductions in red snapper bycatch, it has indirectly allowed managers to implement a lower minimum size limit to achieve reductions in bycatch. Under pre-IFQ

management, the lower minimum size limit would have likely resulted in higher commercial catch rates leading to shorter fishing seasons and the quota being met faster.

## **Future Program Needs**

As with most new management programs; some objectives may take more time to fully achieved. Although many successes have occurred since the program's inception (as discussed in the previous section), progress still needs to be made to address all program objectives. In particular, bycatch in the eastern Gulf of Mexico remains problematic (Table 12). In recent years, the red snapper population has increased in abundance and expanded along the west Florida shelf. Unfortunately, many fishermen along the west Florida shelf received few shares at the start of the program, because red snapper abundance was much lower in this area during the qualifying years. As a result, fish (many of legal-size) are being discarded at a higher rate, resulting in losses in potential yield (Table 12). Although this is not a new problem along the west Florida shelf, considering the red snapper fishery was only open 25% of the year prior to the IFQ, any way that bycatch can be reduced will benefit both the resource and fishermen.

Another limitation to the program has been the reduction in the quota. Although reductions in the quota were necessary to rebuild red snapper and end overfishing, the lower quota has limited availability of shares and allocation. In turn, higher prices of shares and allocation (Tables 3 and 4) have discouraged the purchase of additional shares and allocation. A new assessment for red snapper is scheduled for late-summer 2009, which may provide changes to the quota in coming years.

Reported allocation and share price information is also limiting review of the program. Less than 25% of allocation transfers included price information and only 43-68% of share transfers included price data during 2007-2008. Additionally, there appears to be confusion over whether allocation prices should be reported in terms of total price paid or price per pound. Changes to the online system have been made to clarify that allocation should be reported in price per pound. Ex-vessel (dockside) price data also vary greatly, ranging from \$1 to \$5.25 per pound. Dealers are encouraged to report the actual ex-vessel price of red snapper and not factor in trip expenses, leased allocation, or other costs. Greater industry cooperation with reporting economic data will allow managers to better assess the performance of the program.

Lastly, improvements in compliance are still needed. Many landings notifications did not have a corresponding landing transaction in 2008. Similarly, many landings transactions occurred without a prior landings notification. Mislabeling of species and under-reporting of landings and ex-vessel, share, and allocation prices also remain areas where additional improvements to enforcement and compliance can be made.

## Program Changes

Amendment 29 to the Gulf of Mexico Reef Fish Management Plan will establish a new IFQ program for groupers and tilefishes. Regulations implementing the amendment also make changes to align the Red Snapper IFQ program with the new Grouper-Tilefish IFQ program. Changes to the Red Snapper IFQ Program will be implemented on or before January 1, 2010. These changes include:

1. Vessel accounts, which would take the place of fishermen assignee accounts. Vessel accounts would be associated with a vessel and not an individual. Each vessel landing red snapper would have a vessel account that holds allocation required for landing.
2. A landing transaction correction form, which could be used to correct landings transactions that are in error. Both the dealer and vessel account holder would validate the correction form. The form would need to be received by NMFS no later than 15 days after the date of the initial landing transaction.
3. Elimination of the annual ex-vessel value report because information in this report is readily available on the IFQ web site.
4. The notice of annulment sent on or about the 61st day after the end of each calendar-year quarter for a dealer whose cost recovery fee payment remains delinquent would be eliminated. This notice did not accompany any new action on the part of NMFS to curtail the dealer's activities, and so is unnecessary.
5. Completion of share transfers via the online IFQ Web site. Currently, share transfers can only be accomplished by mailing a notarized form signed by both the transferor and transferee to NMFS.
6. Pre-approval of landing locations. Approving landing locations in advance will ensure sites actually exist and law enforcement agents could find these sites. Only pre-approved landing locations could be listed on a landing notification. Landing locations would need to be publicly accessible by land and water, and must have a street address. If a particular landing location has no street address on record, global positioning system coordinates for an identifiable geographic location must be provided.

Frequently asked questions about these new red snapper IFQ regulations can be found on the IFQ Web site at: <https://ifq.sero.nmfs.noaa.gov/>.

## Appendix

### Definitions

**Active IFQ Account** – An account whose IFQ shareholder, allocation holder, or dealer has logged in and established his/her password.

**Commercial Gulf Reef Fish Permit Holder** – An individual who possesses a commercial Gulf reef fish permit and therefore, is eligible to be exempt from bag limits, to fish under a quota, or to sell Gulf reef fish in or from the Gulf Exclusive Economic Zone. There is an eligibility requirement and an annual fee associated with the permit.

**Entity** – an individual, corporation, partnership, or association.

**IFQ Allocation** – IFQ allocation is the actual poundage of red snapper by which each IFQ shareholder or IFQ allocation holder is ensured the opportunity to possess, land, or sell, during a given calendar year. IFQ allocation will be distributed to each IFQ shareholder at the beginning of each calendar year, and will expire at the end of each calendar year. Annual IFQ allocation is determined by the amount of the shareholder's IFQ share and the amount of the annual commercial red snapper quota.

**IFQ Allocation Transfer** – Through January 1, 2012, allocation can be transferred only to an entity that holds a valid Gulf of Mexico commercial vessel reef fish permit. Allocation transfers are accomplished by using the online IFQ Web site at <http://ifq.sero.nmfs.noaa.gov/>. If an allocation transfer is approved, the website will provide a transaction approval code to the transferor and transferee confirming the transaction.

**IFQ Dealer Endorsement** – The IFQ dealer endorsement is a document that a dealer must possess in order to receive Gulf red snapper. The dealer endorsement can be downloaded **free of charge** from the IFQ dealer's online account.

**IFQ Share** – An IFQ share is the percentage of the commercial quota assigned to each IFQ shareholder. With limited exceptions, the amount of the IFQ share allocated to each IFQ shareholder will not change unless the IFQ shareholder sells all or a portion of his or her IFQ share, or purchases additional IFQ shares from another IFQ shareholder. IFQ shares can be sold, but cannot be used to possess, land, or sell red snapper unless the IFQ shareholder also possesses IFQ allocation.

**IFQ Share Ownership Cap** – The share ownership cap is 6.0203%. The intent of the IFQ share cap is to prevent one or more Gulf of Mexico commercial reef fish permit holders from purchasing an excessive amount of IFQ shares and monopolizing the fishery.

**IFQ Share Transfer** – Through January 1, 2012, shares can be transferred only to an entity that holds a valid Gulf of Mexico commercial vessel reef fish permit. A shareholder must initiate the



share transfer by using the online IFQ website at <http://ifq.sero.nmfs.noaa.gov/>. Share transfers are permanent, until subsequently transferred.

**IFQ Shareholder** – An IFQ shareholder is an individual who holds a percentage of the commercial red snapper quota. The percentage, or share, determines the actual pounds of Gulf red snapper (IFQ allocation) a shareholder will be allowed to harvest each year.

**Inactive IFQ Account** - An account whose IFQ shareholder, allocation holder, or dealer has not logged in and established his/her password.